LASERS
Louisiana State Employees' Retirement System

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**Is It Reform?**

There seems to be a rush to judgment relative to the administration's far-reaching pension proposals which are aimed primarily at the rank-and-file members of the Louisiana State Employees' Retirement System (LASERS). Much of the rush appears to stem from misinformation claiming that the debt of the pension systems is on an ever-increasing unending rise. It has also been suggested that these proposals will have the effect of dramatically reducing the debt, while at the same time honoring promises made to those taxpayers who have devoted years to public service. There is another misimpression that the retirement system is and has been staunchly opposed to any and all change. Nothing could be further from the truth.

Perhaps it is time to look a bit closer at the facts. Much like a mortgage payment, the state owes a debt to the four state retirement systems; not just LASERS. In decades past, the state did not meet its full obligation to pay the employer share of the benefits being offered. The state owes LASERS about one-third of the amount due. Payment for that debt is designed to be made over a period of time and is on a legislatively created back-loaded payment schedule. To its credit, the state has been making the required payments since the late 1980s.

Even if the proposed pension changes are never implemented, the amount owed to LASERS will actually decrease by a billion dollars in ten years and by nearly four billion dollars in 20 years. That does not mean that true reforms are unnecessary or that the system cannot be improved.

LASERS has supported significant changes to the benefit structure of new hires, which were implemented over the course of the last year. Changes, both statutory and constitutional, that actually will promote the financial soundness of the system have been supported by LASERS.

It should be noted that the various pieces of legislation in question contain a statement that the intent is to attain and maintain the actuarial soundness of the system. Yet each bill includes a provision to reduce the amount of contributions the state would make to the system.

The proposed tax that would increase the employee contributions by 3 percent is not being directed to reduce system debt. It is being used to augment the state general fund.

Are these proposals really honoring the contract and promise made to individuals when the state hired them? That is hardly the case when proposed changes could push retirement eligibility back over a decade for members, with no transition, and no recognition of years of service.

One proposal seeks to change, virtually overnight, the retirement age to 67, and the method of calculating benefits for current and vested employees. That is certainly not the way Social Security phased-in changes for the private sector. Of course, state employees do not have Social Security either.

Under this proposal, long-serving tax-paying individuals working in the public sector could see their pension reduced by as much as 75 percent. This is harsh by any measure.

For new hires, LASERS has consistently stated that a cash balance plan can be a viable option. A cash balance plan is a defined benefit plan. It is not a 401(k) defined contribution plan.

It should be noted though, that the administration's current proposal can result in additional debt, that the retirement eligibility for the new hires would be age 60, as opposed to age 67 for existing employees, and that there are many aspects of the proposal that are incomplete.

The LASERS Board has voted to try and work with the legislative leadership to see if a cash balance plan can be created that would contain the core retirement plan elements known to promote retirement security: mandatory participation, shared financing between employers and employees, pooled assets invested by professionals, a benefit that cannot be outlived, and survivor and disability protections.

LASERS will continue to work to promote retirement security for our members while attaining actuarial soundness for our system.

Cindy Rougeou
Executive Director
LASERS